

701—63.3(452A) Taxpayers required to keep records. The records required to be kept by this rule shall be preserved for a period of three years unless otherwise stated (see subrule 63.3(4)) and shall be open for examination by the department during this period of time. The department, after an audit and examination of the records, may authorize the disposal of the records required to be kept under subrules 63.3(1) and 63.3(2) upon request of the distributor or dealer. The authorization must be in written form.

63.3(1) Motor fuel distributor. Every distributor required to file a monthly report under Iowa Code section 452A.8 or 452A.9 (motor fuel) shall keep and preserve the following records relating to the purchase or sale of motor fuel: Also see rule 701—64.6(452A).

- a. Copies of bills of lading or manifests.
- b. Purchase invoices.
- c. Copies of sales invoices.
- d. Exemption certificates.
- e. Purchase records.
- f. Sales records.
- g. Copies of filed distributor reports.
- h. Iowa export schedules.
- i. Rescinded IAB 10/12/94, effective 11/16/94.
- j. Canceled checks and check register.

63.3(2) Special fuel dealer-user-distributor. Every special fuel dealer or special fuel user required to file a monthly report and every special fuel distributor required to file a quarterly report under Iowa Code section 452A.38 shall keep and preserve the following records relating to the purchase or sale of fuel: Also see rule 701—64.6(452A).

- a. Copies of bills of lading or manifests.
- b. Purchase invoices.
- c. Copies of sales invoices.
- d. Exemption certificates.
- e. Purchase records.
- f. Sales records.
- g. Copies of filed distributor, dealer or user reports.
- h. Iowa export schedules.
- i. Rescinded IAB 10/12/94, effective 11/16/94.
- j. Canceled checks and check register.

63.3(3) Terminal operator. Every person required to report under Iowa Code subsection 452A.15(2) as an operator of a terminal shall keep and preserve the following records:

- a. Records to evidence the acquisition of fuel.
- b. Bills of lading or manifests covering the withdrawal of motor fuel.

63.3(4) Motor fuel dealer. Every dealer handling motor fuel shall keep and preserve for a period of two years the following relating to the purchase or sale of motor fuel:

- a. Copies of bills of lading.
- b. Purchase invoices.
- c. Copies of sales invoices (if issued).
- d. Copies of delivery tickets (if issued).
- e. Canceled checks and check register.

63.3(5) Ethanol blended gasoline—records requirements. These requirements apply to motor fuel distributors and blenders (includes motor fuel dealers and any other acting as blenders in blending ethanol blended gasoline).

- a. Maintain records of how much motor fuel and alcohol is used in each blend with blending date and blender's signature.
- b. Maintain supporting invoices related to all alcohol and blends.
- c. Keep monthly inventories in gallons to agree with reporting periods for alcohol and motor fuel. See rule 701—64.4(452A) and rule 701—64.8(452A).

63.3(6) *Microfilm and related record systems.* Microfilm, microfiche, COM (computer on machine), and other related reduction in storage systems will be referred to as “microfilm” in this rule.

Microfilm reproductions of general books of account, such as a cash book, journals, voucher registers, ledgers, etc., are not acceptable other than those that have been approved by the Internal Revenue Service under Revenue Procedure 76-43, Section 3.02. However, microfilm reproductions of supporting records of detail, such as sales invoices, purchase invoices, etc., may be allowed providing there is no administrative rule or Iowa Code section requiring the original and all the following conditions are met and accepted by the taxpayer.

- a. Appropriate facilities are provided to ensure the preservation and readability of the films.
- b. Microfilm rolls are indexed, cross-referenced, labeled to show beginning and ending numbers or beginning and ending alphabetical listing of documents included, and are systematically filed.
- c. The taxpayer agrees to provide transcripts of any information contained on microfilm which may be required for purposes of verification of tax liability.
- d. Proper facilities are provided for the ready inspection and location of the particular records, including modern projectors for viewing and for the copying of records.
- e. Any audit of “detail” on microfilm may be subject to sample audit procedures, to be determined at the discretion of the director or the director’s designated representative.
- f. A posting reference must be on each invoice.
- g. Rescinded IAB 10/12/94, effective 11/16/94.
- h. Documents necessary to support claimed exemptions from tax liability, such as bills of lading and purchase orders, must be maintained in an order by which they readily can be related to the transaction for which exemption is sought.

63.3(7) *Automatic data processing records.* Automatic data processing is defined in this rule as including electronic data processing (EDP) and will be referred to as ADP.

- a. An ADP tax accounting system must have built into its program a method of producing visible and legible records which will provide the necessary information for verification of the taxpayer’s tax liability.
- b. ADP records must provide an opportunity to trace any transaction back to the original source or forwarded to a final total. If detail printouts are not made of transactions at the time they are processed, then the system must have the ability to reconstruct these transactions.
- c. A general ledger with source references will be produced as hard copy to coincide with financial reports of tax reporting periods. In cases where subsidiary ledgers are used to support the general ledger accounts, the subsidiary ledgers should also be produced periodically.
- d. Supporting documents and audit trail. The audit trail should be designed so that the details underlying the summary accounting data may be identified and made available to the director or the director’s designated representative upon request. The system should be so designed that the supporting documents, such as sales invoices, purchase invoices, etc., are readily available. (An audit trail is defined as the condition of having sufficient documentary evidence to trace an item from source (invoice, check, etc.) to a financial statement or tax return; or the reverse; that is, to have an auditable system.)
- e. Program documentation. A description of the ADP portion of the accounting program should be available. The statements and illustrations as to the scope of operations should be sufficiently detailed to indicate:
 - (1) The application being performed;
 - (2) The procedure employed in each application (which, for example, might be supported by flow charts, block diagrams or other satisfactory description of the input or output procedures); and
 - (3) The controls used to ensure accurate and reliable processing. Program and systems changes, together with their effective dates, should be noted in order to preserve an accurate chronological record.
- f. Storage of ADP output will be in appropriate facilities to ensure preservation and readability of output.

63.3(8) *General requirements.* If a tax liability has been assessed and an appeal is pending to the department, state board of tax review or district or supreme court, books, papers, records, memoranda or

documents specified in this rule which relate to the period covered by the assessment shall be preserved until the final disposition of the appeal.

If the requirements of this rule are not met, the records will be considered inadequate and rule 63.5(452A), estimate gallonage, applies.

This rule is intended to implement Iowa Code sections 452A.2, 452A.6, 452A.8 to 452A.10, 452A.15, 452A.17, 452A.36 to 452A.38, 452A.59, 452A.60, 452A.62, 452A.64, and 452A.69.